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P.A.

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ORIGINAL

March 31, 2009

HAND DELIVERED

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *2008 Annual Compliance Report by the Arizona Electric Power Cooperative on Behalf of Its Arizona Participating Member Distribution Cooperatives—Duncan Valley Electric Cooperative, Inc.; Graham County Electric Cooperative, Inc.; Mohave Electric Cooperative, Inc.; and Trico Electric Cooperative, Inc. (collectively, the "Cooperatives"); Docket No. E-01773A-05-0723*

Dear Sir or Madam:

Pursuant to the requirements of A.A.C. R14-2-1812.A, the Cooperatives submit their Annual Compliance Report for the calendar year 2007. An electronic copy of this report is also being transmitted to the Director of the Utilities Division.

Very truly yours,

GALLAGHER & KENNEDY, P.A.



By:

Michael M. Grant

MMG/plp
10421-51/2071398
Enclosure

cc (w/enclosure): Ernest Johnson, Utilities Director (emailed)
Ray Williamson, Utilities Division (emailed)
Brian Bozzo, Utilities Division (emailed)
Chris Baggett

Original and 13 copies filed with Docket
Control this 31st day of March, 2009.



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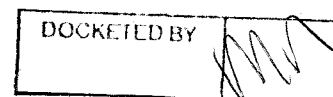
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Arizona Corporation Commission
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MAR 31 2009



**ARIZONA ELECTRIC POWER COOPERATIVE, INC.
AND IT'S PARTICIPATING MEMBER COOPERATIVES**

**RENEWABLE ENERGY STANDARD
AND TARIFF COMPLIANCE REPORT FOR 2008
R14-2-1812**

INTRODUCTION

Pursuant to A.A.C. R14-2-1812, the Arizona Electric Power Cooperative, Inc. ("AEPCO"), on behalf of its four Arizona member distribution cooperatives which are participating in the Commission-approved REST Plan—Duncan Valley Electric Cooperative, Inc. ("DVEC"); Graham County Electric Cooperative, Inc. ("GCEC"); Mohave Electric Cooperative, Inc. ("Mohave"); and Trico Electric Cooperative, Inc. ("Trico") (collectively, the "Participating Cooperatives") submit this compliance report for calendar year 2008. This report relates to AEPCO's Amended and Restated EPS/REST Plan on behalf of the Participating Cooperatives for 2007 and 2008 which was approved by the Commission in Decision No. 69728 dated July 30, 2007 (the "REST Plan").

EXECUTIVE SUMMARY

The REST Plan uses surcharge dollars from Participating Cooperatives' Commission-approved retail tariffs to support programs for developing renewable facilities, purchasing renewable energy and participation in large-scale renewable generation projects. Funds are also used for administration, advertising and educational activities.

This report covers activity for calendar year 2008. The REST Plan for 2008 was approved by Decision No. 69728 dated July 30, 2007 pursuant to R14-2-1814. R14-2-1814.A provides that upon approval of the Participating Cooperatives' REST Plan, its provisions substitute for the Annual Renewable Energy and Distributed Renewable Energy requirements of Rules 1804 and 1805, respectively. The Participating Cooperatives' current retail tariffs (as required under the REST Rules) were approved by the Commission at its Open Meeting on February 12, 2008. Thus, these new REST tariffs were in effect for most, but not all, of calendar year 2008.

2008 INSTALLATIONS AND ENERGY GENERATED

In 2008, 97 new PV distributed facilities were installed in the Participating Cooperatives' service areas. Of these new sites, 11 were located off-grid and 86 were located on-grid for a total installed capacity of 431 kW. Of these new units, all 97 are distributed generation (92 residential and 5 commercial).

In 2008, 24 solar water heating systems were installed in the Participating Cooperatives' service areas. These water heater installations are expected to save approximately 67 kW per year.

In 2008, 15 small wind systems were installed in the Participating Cooperatives' service areas for a total installed capacity of 28 kW.

These additions bring the total number of installations supported by the Cooperatives to 214 as of December 31, 2008. PV installs total 175 (32 off-grid, 142 on-grid), with a total installed capacity of 666 kW, plus one 25 kW utility-owned PV system. Wind installs total 15 for an installed capacity of 28 kW. Solar water heating installs total 24 for an energy savings of 67 kW.

R14-2-1812 INFORMATION

Pursuant to R14-2-1812.B, AEPCO and the Participating Cooperatives supply the following information:

1. The actual kWh of energy obtained from Eligible Renewable Energy Resources in 2008 was 1,629,731 kWh. We note that the Cooperatives do not track the actual metered output of their residential distributed generation ("DG") resources. They do, however, have a few commercial DG installations where output is monitored. The figure of 1,629,731 kWh was calculated by adding the actual metered output of the metered systems to the estimated output of the remaining installed capacity.
2. The kWh of energy obtained from Eligible Renewable Energy Resources normalized to reflect a full year's production is 1,641,610 kWh.
3. The kW of generation capacity, disaggregated by technology type is 691 kW for all PV installations, 28 kW for all small Wind installations and 67 kW for all Solar Water Heater installations.
4. Cost information in cents per kWh for the energy obtained from Eligible Renewable Energy Resources is \$.075 per kWh for energy generated from PV; \$.073 for energy generated from Wind; and \$.025 per kWh for energy saved from Solar Water Heaters. Cost information in cents per kW of generation capacity disaggregated by technology type is \$4,088 for each kW of installed PV, \$4,000 for each kW of installed Wind and \$500 for each kW of installed Solar Water Heating.

5. The Renewable Energy Credits used to satisfy the Annual Renewable Energy Requirement are 1,641,610 kWh. The Renewable Energy Credits used to satisfy the Distributed Renewable Energy Requirement are 1,641,610 kWh.
6. Concerning resource acquisition procedures, most Arizona cooperatives, including AEPCO and the Participating Cooperatives, are Rural Utilities Services ("RUS") borrowers and are subject to RUS procedures on resource acquisition as specified in the Code of Federal Regulations (generally, 7 CFR § 1710, *et seq.*). Among other requirements, requests for proposals must be issued to a wide array of potential providers and solicitations are published in at least three national publications in addition to direct contacts. In 2008, AEPCO did issue an RFP, but no contracts have been awarded to any of the respondents as of this date.